

COUNCIL ON DEVELOPMENT FINANCE

February 27, 2017

PUBLIC HEARING 429

THOSE PRESENT:

Mr. Andrew Lubin, Chairman
Honorable Nancy Cook
Mr. Jack Riddle
Mr. Richard Rowland
Mr. Fred Sears

Mr. Cerron Cade, DEDO Deputy Director
Mr. David Archer
Ms. Kimberly Cruz
Mrs. Leilani Decena-Shepherd
Mrs. Christina Dirksen
Mrs. Jodie Green
Mr. Lawrence Lewis, DAG
Mr. Tim McLaughlin
Mrs. Amber Mudri
Mr. David Root
Mrs. Jordan Schulties

ALSO PRESENT:

RLDP Holdings, LP

Donald Hollenbeck, President of Craig Technologies, Inc.

Nanticoke Memorial Hospital, Inc.

Steve Rose, President and CEO

M Cubed Technologies, Inc.

John McInerney, Director of U.S. Operations
Brian Monti, General Manager

Erin Innes, Office of Management and Budget
Art Jenkins, Office of the Controller General

LOCATION: Delaware Technical and Community College, Terry Campus,
100 Campus Drive, Dover, Delaware 19904

TIME: 9:12 a.m.

CALL TO ORDER:

The meeting was called to order 9:12 a.m. by Council Chairman Andrew Lubin, on Monday, February 27, 2017.

OLD BUSINESS:

Chairman Lubin asked the Council if there were any recommendations, comments or additions regarding the minutes of the December 19, 2016 Council on Development Finance meeting. Mr. Richard Rowland asked to include in the minutes that Dave Archer, DEDO's New Castle County Business Development Leader, has no affiliation with the Archer Group. Mr. Larry Lewis, DEDO's Deputy Attorney General, agreed. Chairman Lubin called for a motion to amend the minutes. Mr. Fred Sears made a motion to approve and Mr. Jack Riddle seconded the motion, which was then adopted by unanimous vote.

NEW BUSINESS:

RLDP Holdings, LP ("RLDP" or the "Applicant") – The Applicant is requesting a loan modification related to terms of an existing loan in the amount of \$500,000. The loan proceeds were used for leasehold improvements at 108 Park Avenue, Seaford, Delaware.

Mr. Riddle recused himself because of a conflict of interest.

DEDO staff presented the project to the Council. Mr. Tim McLaughlin, DEDO's Business Development Director, gave a quick overview of the Applicant's request; Ms. Kimberly Cruz, DEDO's Senior Business Financial Specialist, addressed questions the Council had at December's CDF meeting. She advised Council that the existing security position on the loan was reviewed; the modification request will retain personal guarantees from the owners as well as a corporate guaranty from Craig Technologies, Inc. In addition, DEDO will also take a third lien position on the property located at 213 Nesbitt Drive, Seaford, Delaware. Sale of the property will require full repayment of the DEDO loan. Ms. Cruz said staff determined there is adequate equity in the property at 213 Nesbitt to cover DED's loan, and that this will be the final modification granted for this note.

In response to a question about the property's 2014 appraisal, Ms. Cruz responded that due to a more current appraisal was not obtained due to expense. Mr. McLaughlin reassured the Council that DEDO has visited the site to survey its current condition. Mr. David Root, DEDO's Sussex County Business Development Leader, added that there were improvements made to the property on 213 Nesbitt Drive. During recent visits to the property, he found the property well maintained as well as further improved by the current tenant. He believed that if a current appraisal is done, it would be equal to or greater than what is existing as of the 2014 appraisal.

Mr. Sears recommended that DEDO include a property appraisal update in RLDP's file. Mr. McLaughlin said DEDO will do research on the property value and/or acquire a new appraisal.

Mr. Lewis added for the record that there is a quorum of five and one recusal. He said the statute governing the Council does not call for an affirmative majority of the board. Therefore, the motion will be carried by the majority of those who are present.

Chairman Lubin called for a recommendation and a motion for RLDP Holdings, LP's request for a loan modification.

Motion Made By: **Honorable Nancy Cook**
Seconded By: **Mr. Richard Rowland**

Chairman Lubin asked if there were any public comments. Mr. Donald Hollenbeck, President of Craig Technologies, Inc. and RLDP Holdings, thanked the Council for their support. He said more than \$2.5 million was invested into the Nesbitt facility and it has brought many new jobs from the Sussex County area. He added that the support of the Council will greatly help RLDP.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (iv) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of modification of its existing strategic fund loan with an extension until December 10, 2026; monthly principal and interest payments will be in the amount of \$4,022.18, with full repayment of the DEDO loan contingent upon sale of the property located at 213 Nesbitt Drive, Seaford, Delaware, and with no further loan modifications, contingent upon the approval remaining in effect through and including February 26, 2018.

Approved by vote of 4 to 0 and 1 abstention.

Nanticoke Memorial Hospital, Inc. ("Nanticoke" or the "Applicant") – The Applicant is requesting a loan modification related to terms of an existing loan in the amount of \$5,989,729. The loan proceeds were used towards the construction of a medical office building as well as working capital.

DEDO staff presented the project to the Council. Mrs. Jordan Schulties, DEDO's Capital Resources Director, gave the background on the project, highlighted the business case for granting a modification and presented the financial analysis of the company.

Mr. Steve Rose, President and CEO of Nanticoke Memorial Hospital, Inc., made remarks before the Council. He said Nanticoke lost its Medicare dependent hospital status when CMS (The Centers for Medicare & Medicaid Services) no longer classified Sussex County as rural. Although the Affordable Care Act promised hospitals a new revenue stream with 20-million more insured Americans, he said Nanticoke has not seen improvements in cash flow. He explained to the Council that its current insured patients, with deductibles of \$5,000 or greater, find it challenging to pay their medical bills. Mr. Rose added that the hospital is investing in new computer systems.

Mr. Riddle asked Mr. Lewis if he needs to recuse himself since he is a former board member of Nanticoke Health Services and currently serves as a community member in the Finance Committee. Although Mr. Riddle has not been on the board for at least a year, Mr. Lewis recommended that he abstain from the Nanticoke hearing as a precaution. Thus, Mr. Riddle abstained from voting.

In response to Mr. Sears, Mr. Rose said most of the hospital's expenses involve capital investment. The hospital recently purchased a new 64-slice Computed Tomography scanner for its trauma surgeons and a \$7 million software for the new computer system he mentioned earlier. He said these investments are necessary to stay current.

Chairman Lubin called for a recommendation and a motion for Nanticoke Memorial Hospital, Inc.'s request for loan modification.

Motion Made By: Mr. Fred Sears
Seconded By: Honorable Nancy Cook

Chairman Lubin asked if there were any public comments and there were none.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (iv) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of modification of its existing strategic fund loan with an extension of the maturity date to November 1, 2023, contingent upon the approval remaining in effect through and including February 26, 2018.

Approved by vote of 4 to 0 and 1 abstention.

M Cubed Technologies, Inc. ("M Cubed" or the "Applicant") - The Applicant, which is currently located at 1 Tralee Industrial Park in Newark, Delaware, is requesting the following grants from the Delaware Strategic Fund: a \$208,876 Retention Grant, based on the retention of 62 full-time Delaware positions; a \$929,668 Performance Grant for the creation of 155 new full-time Delaware positions; and a Capital Expenditures Grant in an amount up to \$107,170, or a 3% match of qualified capital expenditures up to \$3,572,318, for costs associated with its new facility.

DEDO staff presented the project to the Council. Mr. David Archer, DEDO's New Castle County Business Development Leader, gave the background on the company as well as highlighted the business case for the project. Ms. Kimberly Cruz, DEDO's Senior Business Financial Specialist, presented the financial analysis of the company.

Brian Monti, General Manager of M Cubed Technologies, Inc., made remarks before the Council. He thanked the committee for reviewing their proposal. He said that the company decided to come to Delaware because of low-cost labor, low-cost energy and the local scientists and engineers who can potentially support their high technology materials business. Their corporate parent, II-VI, Inc., has an educational foundation, which partners with the University of Delaware. He said the company has provided the university a \$100,000 grant for advance research in ceramic reaction

bonded materials, which are critical to II-VI and the growth of M Cubed. He believes the business will double in the next five years and the workforce will triple. Mr. Monti added that access to scientists and a university close-by were some of the reasons the company wanted to expand in Delaware.

Several council members agreed this is a great opportunity for the state of Delaware.

Chairman Lubin called for a recommendation and motion for M Cubed Technologies, Inc.'s request.

Motion Made By: Mr. Jack Riddle
Seconded By: Mr. Richard Rowland

Chairman Lubin asked if there were any public comments and there were none.

MOTION: After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of the following grants from the Delaware Strategic Fund to M Cubed Technologies, Inc.: a \$208,876 Retention Grant, based on the retention of 62 full-time Delaware positions; a \$929,668 Performance Grant for the creation of 155 new full-time Delaware positions; and a Capital Expenditures Grant in an amount up to \$107,170, or a 3% match of qualified capital expenditures up to \$3,572,318, for costs associated with its new facility, contingent upon the approval remaining in effect through and including February 26, 2018.

Approved by vote of 5 to 0

ADJOURNMENT

The meeting adjourned at 9:39 a.m.

Respectfully submitted,
Leilani Decena-Shepherd, Portfolio Administrator
LDS

cc: Members of the Council on Development Finance Director
Bernice Whaley
Lawrence Lewis, DAG